



**Central
Intelligence**

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**Monday
2 November 1987**

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Top Secret



25X1

Contents

Persian Gulf: Situation Report	1
USSR: Moscow Party Leader Under Fire	3
Syria: New Prime Minister	4
Western Europe: Changing Attitude on LDC Debt.....	5

Notes

China: New Central Committee	6
Pakistan: Resignation of Foreign Minister	6
Japan: Lagging Interest in US Securities	7
Tanzania: Reelection of Party Chairman	7
In Brief	8

Special Analyses

USSR-Afghanistan-Pakistan: Playing for Time	9
Philippines: Communist Insurgents Targeting Manila	11



Angola: Implications of Government Reverses	15
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Top Secret



2 November 1987

25X1

Page Denied

Top Secret

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Spencer**CW***PERSIAN GULF:****Situation Report****Military Activity**

on 1 November
A US warship (escorting a Military Sealift Command tanker out of the Gulf ~~yesterday~~) fired warning shots at several Iranian small boats after they continued to approach despite verbal warnings to turn away.

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Iran says its warplanes bombed key military supply routes near Al Amarah on the southern front and struck oil installations in northern Iraq in response to recent Iraqi airstrikes.

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Comment: The US convoy was near Iran's Abu Musa Island when the incident occurred. The limited number of boats involved—a dhow and two Boston Whaler-type speedboats—suggests the Iranians were probably testing US reactions. They may have hoped, however, to provoke a US attack as a way of underscoring Soviet First Deputy Foreign Minister Vorontsov's strong condemnation of the US military presence in the Gulf during his trip to Tehran that ended ~~yesterday~~.

on 1 November 25X1**Vorontsov's Trip**

on 1 November
Soviet First Deputy Foreign Minister Vorontsov returned to Moscow ~~yesterday~~ after two days in Tehran, the final stop on his tour of Iraq, Kuwait, and Iran. ~~he delivered~~ messages on the current situation in the Gulf to the leaders of Iraq and Kuwait from General Secretary Gorbachev and to Iranian Foreign Minister Velayati from Foreign Minister Shevardnadze.

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According to Soviet and Kuwaiti media reports, Gorbachev's messages asserted that the USSR is doing everything in its power to achieve a cease-fire between Iran and Iraq and called for support from Baghdad and Kuwait for Moscow's idea of creating a UN naval force to ensure freedom of navigation in the Gulf. Kuwaiti Foreign Minister Sabah noted in a statement to the press, however, that Vorontsov had not brought any new proposal for ending the war.

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Gorbachev's message to the Amir of Kuwait stated that the USSR "firmly supports the national sovereignty and territorial integrity of Kuwait." Kuwaiti leaders, publicly interpreting this as a warning to Iran, claim Vorontsov told them that Moscow had protested to Tehran over the recent Iranian missile attacks on Kuwait.

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Comment: The primary purpose of Vorontsov's trip appears to have been to reassure Iraq and Kuwait, both increasingly critical of Moscow's unwillingness to enforce UN Security Council Resolution 598, of continued Soviet support. The Soviets probably believe that the best way to boost the prospects for their scheme to replace the Western naval presence in the Gulf with a UN force is to obtain Gulf Arab states' endorsement. Vorontsov's failure to obtain such an endorsement and his subsequent travel to Iran suggest that, despite some relatively positive comments on his talks from both Kuwait and Iraq, he did not succeed in allaying suspicions about Soviet intentions.

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USSR:

Moscow Party Leader Under Fire

A top Soviet official's public criticism of Moscow party chief Boris Yel'tsin, an outspoken reform proponent and Politburo candidate member, probably indicates that General Secretary Gorbachev is unwilling—or unable at this time—to challenge more conservative forces in the leadership led by Yegor Ligachev, his senior deputy in the party. [redacted]

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At a press conference in Moscow on ^{31 October} ~~Saturday~~, Central Committee Secretary Luk'yanov said that he and other members had disagreed with Yel'tsin's statements at the Central Committee plenum on 21 October and claimed that Yel'tsin himself realizes he made a mistake. Luk'yanov said that the Politburo and Moscow party organization would review Yel'tsin's request to resign his posts. At the same time, Luk'yanov maintained there is no rift in the leadership and that all plenum speakers "without exception" fully supported the report given by Gorbachev at that meeting. [redacted]

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Comment: Gorbachev may be seeking to prevent an open polarization of the leadership by blaming Yel'tsin for the squabble rather than backing the Moscow party chief's criticism of Ligachev for blocking reform. Yel'tsin has been a close Gorbachev ally and, like Luk'yanov, one of the most reform-minded members of the leadership. Gorbachev evidently wants to distance himself from the outspoken, abrasive Yel'tsin, however, rather than risk an open breach between his supporters and those of Ligachev. Yel'tsin is staying on the job for now, but his political position appears severely damaged. Unless he receives stronger backing from Gorbachev, he is likely to be replaced in the near future. [redacted]

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SYRIA:**New Prime Minister**

President Assad's removal of Prime Minister Kasm over the weekend is probably an attempt to quiet dissatisfaction among his key subordinates in the Syrian military in advance of the Arab summit opening ~~next Sunday~~ [redacted]

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on 8 November.

Assad accepted Kasm's resignation and immediately ordered Speaker of the People's Council Zu'bi to form a new government. Rumors of such a change have been rife since two ministers in Kasm's cabinet received no-confidence votes last week as a result of the ongoing investigation by parliament of corruption charges. [redacted]

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~~According to the US Embassy in Damascus~~ senior Alawite officers *reportedly* recently signed a letter claiming that Kasm had insulted the military by supporting his Custom Minister's attempt to confiscate goods belonging to Defense Minister Talas at the Syria-Lebanon border.

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Comment: Kasm's removal has been expected, largely because of his association with Syria's dismal economic performance over recent years. Even more damaging for Kasm, however, was his appointment as the spearhead of Assad's latest anticorruption campaign; it ran him afoul of many prominent members of the ruling Alawite minority community. Kasm's recent sparring with Talas and the Alawite military elite and the President's desire to restore harmony to his regime left Assad little choice other than to discard his loyal fellow Ba'thist. [redacted]

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~~Assad probably hopes the formation of a new government will provide the appearance of carrying out promised economic reforms in lieu of fundamental policy changes.~~ Kasm is not likely to be openly criticized and may even receive another position in government in return for his service. The designation of Zu'bi, a Sunni politician, does not suggest there will be meaningful reforms soon. [redacted]

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“International Debt Agency” Scheme

The banks discussing the “international debt agency” concept have not worked out its details.  the broad outline of a plan under which such an agency would purchase the debt of troubled LDCs at secondary market values—generally far lower than the face value. The LDCs would be required to repay only the discounted value of the debt. The banks probably expect that funding for the agency would come from banks and governments in the developed countries and from multilateral lending institutions. The banks believe that this approach would provide several benefits to both the banking community and the world economy, including:

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- Ending the troublesome process of negotiating new money packages.
- Freeing banks’ bad debt reserves for more promising investment.
- Helping LDCs achieve higher economic growth by easing their debt burden.

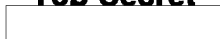
Although this scheme appeals to West German and Swiss banks, those with smaller loan-loss reserves are less inclined to absorb the losses resulting from selling the debt at discount. Moreover, governments would have a tough time politically enacting such bailout policies at taxpayers’ expense.

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WESTERN EUROPE: Changing Attitude on LDC Debt

West European bankers agree that the LDC debt situation is getting worse but differ on what to do about it. [redacted]

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[redacted] West European banks are worried that the deteriorating political situation in several Third World debtor countries—including Brazil, Argentina, and the Philippines—will prevent these countries from making concessions in future refinancing negotiations. Two major Swiss banks and one large West German bank are informally considering the benefits of forming an “international debt agency” of governments and banks of the developed countries to purchase at a discount a portion of troubled LDC debt. The banks are reluctant, however, to move forward now.

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[redacted] West Germany's largest commercial lender, recently said that consideration should be given to forgiving some LDC debt—an idea until now rejected by most major banks. [redacted]

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French and British banks, meanwhile, remain skeptical although basically supportive of the US debt initiative. French banks, [redacted]

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[redacted] consider the idea of an international debt agency unworkable. [redacted]

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Comment: Many West European banks, even those backing the US initiative, apparently believe that Brazil's inflexible position on interest payments and economic adjustment might shift negotiating leverage in favor of the debtors. Although the banks are unlikely to support an international debt agency at present, discussions about the idea and growing talk about debt forgiveness indicate that some banks will stiffen their resistance to new money packages and try to get the governments of the developed countries more involved in the LDC problem. [redacted]

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West European governments, however, are not likely to take the lead in developing a new debt strategy. Although they have cooperated with US officials in the past by persuading European banks to contribute to refinancings, they are much less likely to do so if they perceive continued deterioration in the debt situation. Most will be inclined to look to the IMF and World Bank to handle countries with severe debt problems. [redacted]

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CHINA: New Central Committee

The rejuvenated Central Committee endorsed at the close of the eight-day 13th Party Congress does not include Deng Xiaoping and eight other elderly Politburo members, thus ensuring Deng's promised "retirement"—and that of his leading orthodox rivals—from the party's top policymaking organs. Deng and two other members of the Politburo Standing Committee, party traditionalists Chen Yun and Li Xiannian, stepped down, as did ideological hardliners Peng Zhen and Hu Qiaomu. Altogether, more than 90 members of the 12th Central Committee are not returning.

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Comment: Despite formally retiring from the Politburo, the 83-year-old Deng remains China's paramount leader and is staying on as chairman of the party's powerful Military Commission. Several of his most influential orthodox rivals have moved to a party advisory group that was instrumental in forcing the resignation of Hu Yaobang as General Secretary in January; they will remain politically active and a continuing problem for reformers led by Deng and acting General Secretary Zhao Ziyang. The new Committee meets two key reformist goals. Its 175 members on average are younger—55 years old—and better educated—75 percent have some university education—than their predecessors. Zhao will be confirmed as General Secretary, and members of the party Politburo, Politburo Standing Committee, Secretariat, and Military Commission will be named at a Central Committee plenum today.

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MEA**PAKISTAN: Resignation of Foreign Minister**

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Islamabad radio ^{OK 1 November} ~~yesterday~~ announced the resignation of Foreign Minister Yaqub Khan for "personal reasons." Prime Minister Junejo has not named a successor, but, under Pakistan's constitution, will himself serve as acting Foreign Minister until someone is designated for the post. Minister of State Noorani, Yaqub's senior deputy, has been named to represent Islamabad when the UN General Assembly takes up this month the annual Pakistani-sponsored resolution calling for the withdrawal of foreign forces—in effect, Soviet troops—from Afghanistan.

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Comment: Yaqub's resignation had been expected since he announced his ultimately unsuccessful candidacy for the top post in UNESCO, and his exit does not signal a shift in Pakistan's policy on Afghanistan. His most likely successor is Noorani, a veteran Muslim League politician who enjoys the confidence of both President Zia and Junejo. Less subtle in negotiations than Yaqub, Noorani has a reputation for outspokenness. ~~And is suspicious of the USSR and India.~~

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JAPAN: Lagging Interest in US Securities

Japanese investors will probably purchase and hold only a small quantity of US Government securities at this week's US Treasury auction. [redacted] Japanese insurance companies and trust banks—the largest Japanese purchasers of US Government bonds—fear that the US dollar will again decline sharply, a development that would erode the yen value of any bonds acquired now. In an effort to support the US dollar, however, the Japanese Finance Ministry is reportedly urging Japanese investors to participate actively in the auction. [redacted]

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Comment: Japanese investors currently appear disinclined to purchase overseas assets of any type. After large net purchases of foreign assets in June and July, net acquisitions declined to near zero in August and September. To appease the powerful Finance Ministry, however, Japanese securities firms may participate in the auction for the sake of appearances but—as was the case last May—will probably quickly sell on the secondary market any bonds acquired.

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TANZANIA: Reelection of Party Chairman

Tanzania's ruling party on ^{31 October} ~~Saturday~~ elected Chairman Nyerere to another five-year term as its chairman, despite significant support within the party for the candidacy of President Mwinyi. ~~According to the US Embassy~~ Nyerere reneged on his earlier promise to retire and engineered his reelection out of concern that the party would abandon socialism in favor of Mwinyi's Western-backed economic liberalization program. [redacted] *reportedly*

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Comment: Nyerere's reelection probably will slow Mwinyi's moves to dismantle state economic controls and implement the economic recovery program sponsored by the International Monetary Fund. Mwinyi, who almost certainly is unhappy with Nyerere's decision to remain as chairman, may cautiously seek ways to circumvent the party, perhaps by increasing parliamentary responsibility. Although Mwinyi's liberalization policies are popular in Tanzania—they are widely credited with reversing the economic stagnation associated with Nyerere's socialism—the public probably will accept reelection of the party chairman as long as the economy continues to improve.

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In Brief

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Europe

NO — **East German** leader Honecker to visit **France** in early January . . . marks another step in East German drive for full acceptance by West . . . economic issues such as trade liberalization likely to top agenda.

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NO — **Czechoslovakia** to get technical assistance in advanced ceramics research, development from US research institutes . . . Czechs trail West in ceramics . . . immediate applications for automotive engines, bearings, but may have dual-use applications.

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AA *G/S* *EHL* — **Hungary** to ease travel restrictions to West in January . . . probably effort to counter negative domestic reactions to tough tax, austerity policies . . . will have limited impact, **government not** increasing amount of cash travelers may take.

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South Asia

NO — **French** firm Dassault awarded \$100 million contract to assist **India** in development of light combat aircraft . . . little help to Dassault's financial troubles, hoping deal leads to other military sales . . . likely to limit US participation.

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**Key Points of UN Negotiator's
"Scenario for an Accelerated Plan
of National Reconciliation"**

1. "Participation in the mechanism for national reconciliation . . . would include representatives of the seven parties now based in Peshawar, representatives of the People's Democratic Party of Afghanistan, and selected personalities."
2. "The format of discussions should be agreed upon in advance, and the decisions that might be reached through the mechanism should be binding upon all the participants."
3. "The transitional arrangement must be as broadly based as possible. . . . No specific posts would be earmarked for any specific party, and no party would be ensured a predominant role in the transitional arrangement."
4. "The main functions of the transitional arrangements, in addition to running the affairs of state, shall be:
 - To set in motion any constitutional or other internal processes . . . necessary to ensure continued peaceful conditions in Afghanistan.
 - To formulate a declaration of neutrality."

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2 November 1987

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Special Analysis**USSR-
AFGHANISTAN-
PAKISTAN:****Playing for Time**

Kabul's minimal reduction in its proposed timetable for a Soviet troop withdrawal at September's UN-mediated talks with Pakistan and moves by Afghan leader Najibullah to strengthen his position indicate that Moscow's primary concern at the moment is the stability of the Afghan regime. The Soviets' concurrent effort to persuade the UN or Pakistan to initiate talks on the composition of a future Afghan government is probably intended to minimize the damage to their diplomatic campaign. Such talks would also enable them to probe the terms of a possible face-saving arrangement should they decide later to accept less than a coalition dominated by their clients.

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Endemic feuding within the Afghan ruling party has been intensified by the opposition of some elements to Najib and his Soviet-mandated "national reconciliation" initiatives. The disarray may have prompted Moscow to back away from delivering on its hints that Kabul would propose a withdrawal timetable of about a year at Geneva. This may in turn have led to the Soviets' apparent decision to give Najibullah a free hand to deal with dissenters at the plenum and party conference last month and to allow him to assume the presidency—the focus of power under the proposed new constitution.

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These moves, together with statements at the party conference that the party will remain preeminent in a coalition, are likely to damage Moscow's international promotion of the regime's flexibility and sincerity. This probably will complicate Soviet efforts to reduce support of the annual Afghan resolution in the UN General Assembly this month or to water it down by introducing amendments that include acknowledgment of the national reconciliation initiative.

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Moscow evidently determined, however, that the situation in Kabul warranted assuming this risk. It probably hopes that by buttressing Najibullah it will underline its determination to pursue the policy with which he is identified, while reassuring party members that their "leading role" will be preserved.

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Shifting the Diplomatic Focus

Since the letdown at Geneva, Moscow has attempted to turn the focus of negotiations from the withdrawal timetable to the structure of the future government, an issue that the Soviets had declined to address for most of this year. Now they are soliciting ideas on how a coalition might be constructed and angling to have Pakistan and the UN take the initiative in setting up talks between the Afghan resistance and the regime.

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Moscow's Objectives

The Soviets probably hope that their new tactic will buy time for the regime to get its internal house in order, while convincing the international audience that Moscow and Kabul remain committed to compromise. Moreover, they hope that pressure to reach a common negotiating position will aggravate divisions within the resistance and between the resistance and Pakistan. [REDACTED]

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At the same time, Moscow may be trying to prompt Pakistan and the UN to begin a process in which it can probe—without committing itself—how far the other side might be ready to bend to provide the Kremlin with a face-saving arrangement. ~~There have been hints, including Moscow's apparent interest in Cordovez's plan and discussion in the Soviet media of the necessity for compromise, that the Soviets may be preparing the ground for pursuing other avenues should circumstances eventually dictate lowering their minimum requirement of a coalition dominated by their client.~~ [REDACTED]

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Outlook

Moscow has continued to insist that the regime cannot be shunted aside and that the resistance will have to negotiate with it. The Soviets' unleashing of Najibullah may be designed to shore up the regime in preparation for serious negotiations on a coalition government or to reduce the risk to its stability should the Soviets offer a 12-month timetable at Geneva. [REDACTED]

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The USSR, however, is likely to maintain its current strategy, at least over the next few months, through the UN General Assembly vote, a "grand assembly" called by Kabul to adopt a new constitution, and, possibly, a visit to Islamabad by Vorontsov, a US-Soviet summit, and a US-Pakistani showdown over the nuclear proliferation controversy. By then, it may become clearer to the Soviets how well the regime in Kabul can withstand the inevitable strains that any serious negotiations would bring. [REDACTED]

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[REDACTED]

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The Communists' Urban Guerrilla Efforts

The decision to establish a network of assassination squads in Manila, called armed city partisans or "sparrow" units by the Communists, apparently was made sometime in 1980,

[REDACTED] although they were not activated until 1985. There probably are 100 to 300 armed regulars—men and women—in Manila, although as few as 50 may be designated to carry out assassinations, [REDACTED]

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[REDACTED] the urban guerrillas are divided into three groups: regular partisan operation units that target low-level individuals; special partisan operation units that probably target higher ranking figures; and the Alex Boncayao Brigade that is designated to "liquidate" leading public officials and military and police officers.

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[REDACTED]

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Over the past two years the sparrow units have displayed a consistent operating procedure. During the attack, one member shoots the victim in the head and chest at close range with a handgun—usually on a busy street corner or in a car—while others provide cover.

[REDACTED]
[REDACTED]

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2 November 1987

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Special Analysis**PHILIPPINES:****Communist Insurgents Targeting Manila**

The Philippine Communist Party's New People's Army—NPA—has killed more local officials, police, and military personnel in Manila this year—including 11 last week—than in any previous year; it aims to demoralize troops, force a diversion of military forces from the countryside, and weaken support for the Aquino administration. The Communist Party of the Philippines—CPP—probably will refrain from more assassinations while it evaluates these operations to avoid too strong a popular backlash and for fear that a larger, more active urban network would be susceptible to government penetration. Although junior officials, police, and military personnel will continue to be the primary victims, the CPP may also attack senior military officers, and perhaps more US citizens, in an effort to deepen divisions between the Aquino administration and the armed forces and to aggravate the tensions that contributed to the coup attempt on 28 August.

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the CPP has for several years debated the feasibility and appropriateness of urban warfare in Manila. Details of the debate are limited, but opponents of urban warfare probably argued that the NPA's successes in the countryside could not be easily replicated in Manila. Ideologues probably asserted that, by moving the insurgency into Manila, the party would appear to be abandoning the countryside where, according to their Maoist doctrine, the revolution must be fought and won.

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Advocates of urban warfare probably contended that, although operations in the capital would be dangerous, the potential benefits could be great. some of the objectives of warfare in Manila:

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- Demoralize government forces accustomed to a safe environment.
- Relieve pressure on NPA rural units by forcing a diversion of government troops to the capital.
- Train supporters in Manila for a later armed uprising.

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The CPP's early decision to kill only corrupt and abusive low-level government officials, soldiers, and policemen in Manila gradually has been revised and may now include higher government figures and US citizens. By April, the CPP had composed a hit list of top government

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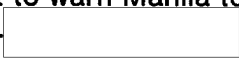
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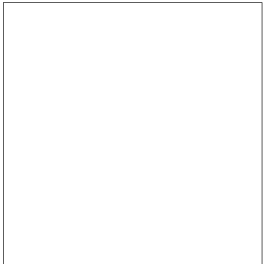
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officials, including Local Government Secretary Ferrer, who, because he was a staunch advocate of anti-Communist civilian defense organizations, was a prime target. The party's Central Committee reportedly authorized Ferrer's murder in August to warn Manila to cease promoting anti-Communist organizations.



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Available evidence does not conclusively prove that the CPP ordered the recent killing of US servicemen, but the party reportedly has been debating whether to kill US citizens ~~(more than 20,000 of whom live in Manila)~~ and discussing which individuals should be selected. Several times this year the Communists have reiterated their threats since 1985 that US citizens perceived to be directly involved in the Philippine counterinsurgency program will be killed, and CPP leaders reportedly believe the US is increasing its counterinsurgency assistance to the Aquino government.



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Government Response

The Aquino administration



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has made few significant arrests or raids.



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Nevertheless, the government is taking steps to combat the Communists in Manila, including forming task forces of police and military units to uncover suspects at checkpoints and in house-to-house searches. Armed Forces Chief of Staff Ramos announced that he is launching saturation patrols and preemptive raids to forestall a Communist terrorist campaign in Manila. The government—under pressure from military leaders—is streamlining the process for obtaining search warrants and ordered the establishment of special courts to hear insurgency-related cases. Government and military leaders faced with manpower and financial constraints do not appear confident of success, however, and have speculated that armed citizen defense groups may be the only workable solution to Manila's insurgency problem.



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Special Analysis**ANGOLA:****Implications of Government Reverses**

The Angolan Government's retreat from Mavinga signals the end of the seasonal offensive for this year. The regime is not immediately threatened by its reverses, but its hopes for a significant military success have been dashed, and it may now consider other options, short of political reconciliation with UNITA. UNITA now has the initiative and probably recognizes the need to expand the guerrilla war if it is to build on its success.

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[redacted] government forces that had begun to push toward Mavinga in mid-August have retreated back toward their starting point at Cuito Cuanavale. UNITA, with substantial South African ground and air support, has pursued the withdrawing government forces, and not all government units are out of danger. South of Lucusse—the second front of the two-front offensive—government forces still hold positions captured in early August but are far short of their objectives at Cangamba and Lumbala N'guimbo. [redacted] the government brigades are digging in, with no apparent intention to continue their advance soon. [redacted]

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By any measure, the offensive has been a major setback for Luanda, which recruited, armed, trained, and planned for two years with the expectation of capturing and holding key positions in UNITA-held territory. Government leaders, [redacted] were confident that the Army could seize Mavinga, an important step in the government's goal of conquering the UNITA-held southeast and ultimately capturing UNITA's headquarters at Jamba. [redacted]

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Luanda and Its Backers

The government is trying to play down the magnitude of the failure, characterizing the fighting in press reports as a routine sweep operation that would have succeeded had Pretoria not intervened. President dos Santos is likely to deflect criticism of his role, but the defeat will spur new infighting among the fractious leadership.

[redacted] the search for scapegoats has already begun, with most of the finger pointing aimed at the military. The Angolan Air and Air Defense Forces are being blamed for their failure to protect advancing troops from South African airstrikes or to provide adequate air support. Individual commanders are being criticized for poor execution of the battle plans. [redacted]

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Luanda's Soviet and Cuban backers probably will come in for a share of the recriminations. The Cubans, who adhered to their backup role and took little part in the fighting, have been accused by Angolan

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officers of not providing needed air support to the government forces, [redacted] The Soviets, who, [redacted] promoted the strategy of a large offensive and played a major role in planning and equipping the operation, also are likely to share blame for the setback.

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Moscow and Havana have condemned South Africa's involvement in the fighting, but neither is likely to see a need for drastic action. The regime in Luanda is not immediately threatened by military reverses in the isolated southeast, and there probably is little that Moscow and Havana can or would do militarily in the near term to rectify the situation. [redacted]

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UNITA and Pretoria

UNITA's ability, albeit with South African support, to frustrate two years of preparation by Luanda, inflict significant losses, and seize the initiative in the southeast is a major success for the insurgents. UNITA leader Savimbi's decision to pursue withdrawing government forces back to Cuito Cuanavale reflects his interest in building on a successful defense by turning the withdrawal into a rout, [redacted]

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South Africa's intervention with both air and ground forces played a key role in UNITA's success. By committing its forces, Pretoria not only demonstrated the extent to which it is willing to support Savimbi, but also showed that a South African-backed UNITA can block Luanda's aims even when the government forces are equipped by the Soviets and backed by Cuban garrison troops. Continued South African airstrikes on the retreating government forces indicate Pretoria backs Savimbi's bid for a larger victory. [redacted]

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Outlook

Although its defeat is not sufficiently threatening to push Luanda toward reconciliation with UNITA, Luanda may try to improve its military prospects by limiting Pretoria's ability to intervene in future fighting. The government may show more interest in pursuing a negotiated end to South Africa's occupation of Namibia by trading off a Cuban troop withdrawal. Luanda might also consider restricting its operations to regions in Angola sufficiently far from Namibia to make South African intervention more difficult and costly. [redacted]

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Savimbi probably realizes that a battlefield victory in the southeast will not by itself force the government to pursue his goal of political reconciliation and power sharing. He has won some relief from government attack in the southeast for the next few months and is now likely to intensify his countrywide guerrilla operations, particularly in northern Angola where the government is most sensitive to military pressure. [redacted]

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